

VZCZCXYZ0027  
OO RUEHWEB

DE RUEHJM #3439/01 2191354  
ZNR UUUUU ZZH  
O 071354Z AUG 06  
FM AMCONSUL JERUSALEM  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4030  
INFO RUEHXX/ARAB ISRAELI COLLECTIVE IMMEDIATE  
RHEHNSC/NSC WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RUEHBS/USEU BRUSSELS PRIORITY

UNCLAS JERUSALEM 003439

SIPDIS

SENSITIVE  
SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR WILLIAMS/WATERS/WAECHTER;  
PRM FOR PDAS GREENE AND PRM/ANE; NSC FOR  
ABRAMS/DORAN/LOGERFO; TREASURY FOR NUGENT/ADKINS

E.O. 12958: N/A

TAGS: [PHUM](#) [ECON](#) [EAID](#) [PREL](#) [KWBG](#) [IS](#)

SUBJECT: LIVING CONDITIONS IN GAZA CONTINUE TO DECLINE

REF: A. JERUSALEM 2611

[1](#)B. JERUSALEM 2201  
[1](#)C. JERUSALEM 2068

[1](#)1. (SBU) Summary: Anecdotal reports collected by ConGen FSN and USAID staff resident in Gaza indicate that living conditions in Gaza continue to decline. Electricity and water are in short supply, in addition to food, fuel, credit and overall economic opportunity. Electricity imports from Israel only meet 50 percent of demand, and Gaza water pumps are delivering reduced levels of water to residents. Fuel shortages have forced most professionals in Gaza to downgrade from private cars to public buses and/or walking. The unemployment rate hovers at 45 percent, as private industry continues to cut work hours and lay off employees. End Summary.

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ELECTRICITY AND WATER SHORTAGES  
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[1](#)2. (SBU) The Israeli bombing of the transformers of the Gaza power plant on June 28 resulted in major electrical shortages throughout the entire Gaza Strip, since the power plant had produced half of Gaza's electricity supply. According to USAID Gaza-based staff, the Gaza Electricity Distribution Company is forced to rotate available electricity, imported from the Israeli Electric Company (IEC), in six to eight hour intervals. Each zone gets six to eight hours of electricity followed by roughly six to eight hours of black-out.

[1](#)3. (SBU) The lack of electricity to power water pumps has caused problems in the distribution of water. Due to the difficulty synchronizing water and electricity schedules, the average water availability is two or three hours of water per day.

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LIMITED PRODUCT AVAILABILITY,  
LACK OF REFRIGERATION  
AND A RISE IN PRICES  
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[1](#)4. (SBU) Frequent closure of the Karni/al-Mintar commercial crossing into Gaza has greatly reduced the amount of food products on store shelves and in markets, according to USAID Gaza-based staff (see ref B). The lack of electricity makes dependable refrigeration impossible. Flour, rice and sugar are available on the market. Current private sector stocks

of flour amount to less than one week's consumption; rice, sugar, and cooking oil stocks in the private sector are sufficient for three weeks' consumption. According to an August 3, 2006 statement by UN agencies, the World Food Program reported that flour and sugar prices have risen 15 and 33 percent, respectively, since January 2006.

¶5. (SBU) Due to crossing closures and insufficient electricity and water supply, there is a severe supply shortage of both imported and local fresh foods in the marketplace. Locally-produced watermelons and apples are the only fruits readily available, according to USAID Gaza-based staff. Supplies of fresh fish are sparse due to IDF restrictions on fishing (see ref C). In general, the population has stopped consuming milk, cheese, and meat - products that require refrigeration. Gazans are buying mostly canned and dry goods and small amounts of fresh vegetables.

¶6. (SBU) USAID Gaza-based staff report that product prices have risen over the last month. Fresh vegetable prices have risen 150 percent and fruit prices have doubled since June 28 as a result of a lack of water for agricultural use, the destruction and subsequent looting of greenhouse facilities, and the increased demand in the market for staple foods. Prices of canned goods have also risen slightly in the last month.

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DEVASTATING EFFECT ON INDUSTRY  
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¶7. (SBU) USAID staff report that the private sector lacks sufficient supplies due to frequent closures of Karni/al-Mintar commercial crossing. Israeli officials have also denied entry for certain products including asphalt and cement. Many construction and renovation projects have been discontinued. Many stores have reduced by half their employees' working hours in order to keep them on the payroll. Since April, job announcements in newspapers for the construction field have dropped to zero. Since June, several local construction companies have reported that they are making plans to leave the area to go to the Gulf, Egypt and Jordan (see ref A).

¶8. (SBU) The Palestinian Central Bureau of Statistics reported the unemployment rate at the end of March at 40 percent. USAID staff estimate the unemployment rate now to be closer to 45 percent. These unemployment estimates do not reflect the economic impact of the non-payment of salaries to government employees or the reduction in the number of hours (and salaries) to those in the private sector.

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MORE WALKERS AND BEGGARS  
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¶9. (SBU) Fuel prices are fixed by the PA and no price increases have been reported, despite severe fuel shortages. Taxi fares have increased by 25 percent since May due to limited gasoline supply. USAID Gaza-based staff report that fewer cars are on the street now than two months ago. In general, Gazans who used to drive their own vehicles are now taking public transportation, and those who took public transportation are now walking.

¶10. (SBU) USAID staff in Gaza estimate an increase in the number of beggars since May, with many of the women veiling themselves to make it difficult for people to recognize them. Almost two-thirds of Gaza's residents depend upon food assistance, either from UNRWA or the WFP.  
WALLES